

Economic Perspectives

U.S. job losses slow — unemployment rate flat at 10% January 9, 2010

Non farm payrolls fell by 85,000 jobs nationally in December according to an advance estimate by the Bureau of Labor Statistics (BLS). That brings the ranks of the unemployed to 15.3 million. Over 7.7 million jobs have now been lost since the start of the recession in December 2007. That number has declined by about 300,000 jobs. The decline, however, is not the product of new jobs being added but rather more persons leaving the work force, becoming marginally attached or working involuntarily part time for economic reasons. Indeed, the size of the labor force fell sharply in December suggesting that households do not yet perceive a positive change in the job market.

The loss of 85,000 jobs in December was more than expected however the November numbers were revised to show a gain of 4,000 jobs — the first gain in two years. October was revised to show a loss of 127,000 jobs as compared to the original loss estimate of 111,000 jobs. Job losses averaged 691,000 each month in the first quarter of 2009 compared to an average loss of 69,000 per month in the fourth quarter. The fact that they have declined so sharply is good news for the economy. The bad news, however, is that employers are not yet adding jobs in any significant numbers. The nation's unemployment rate remains at 10.0%. It has doubled from 5.0% at the start of the recession in December 2007 and is still the highest in 26 years.

The number of long term unemployed (defined as 27 weeks or longer) continues to trend up. In December, total long term unemployed reached 6.1 million persons with four out of 10 jobless workers having been unemployed for 27 weeks or more.

The number of persons working part time for economic reasons (sometimes called involuntary part time workers) remained steady at about 9.2 million workers. That number has changed little since March 2009.

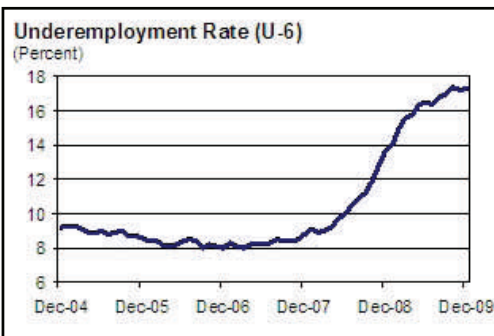
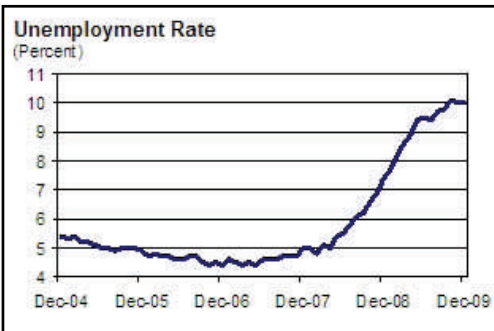
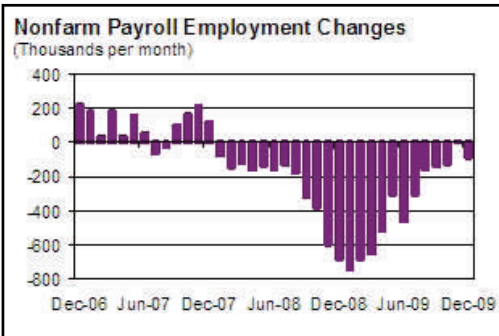
About 2.5 million workers were marginally attached to the workforce in December. That number is 578,000 higher than it was a year earlier. Among the marginally attached were 929,000 discouraged workers. That number is up from 642,000 a year earlier. This group represents those not currently looking for work because they believe there is no job available for them.

The most comprehensive measure of underemployment (U-6) which includes headline unemployment plus marginally attached, discouraged and part time rose fractionally to 17.3% in December.

The civilian labor force participation rate fell to 64.6% in December. That ratio has remained relatively constant for over a year. The employment population ratio declined to 58.2% in December. That ratio is down slightly as a result of the growing number of discouraged workers and others leaving the work force.

By sector, another 53,000 construction jobs were lost in December. The losses were spread throughout the sector which has lost some 1.6 million jobs since the recession began. Manufacturing lost 27,000 jobs over the month and over 2.1 million since the recession began. Roughly three quarters of the manufacturing losses were in the durable goods component (goods expected to last more than three years).

The number of temporary jobs increased by 47,000 jobs. Factory overtime hours remained flat at 3.4 hours. Both are leading indicators and both suggest modest improvement in labor conditions. The growth in overtime hours implies that factory orders are increasing. Similarly, employers frequently test the waters with temporary help before making a commitment to new hiring.



SOURCE: IHS Global Insight | Bureau of Labor Statistics